

Federal Emergency Management Agency

Washington, D.C. 20472

MEMORANDUM FOR: FEMA Regional Directors
Regions I – X

ATTENTION: FEMA Mitigation Division Directors
Readiness, Response, and Recovery Directors
FEMA ARP Division Directors
Regions I- X

FROM: Robert F. Shea, Acting Administrator
Federal Insurance and Mitigation Administration

Larry Zensinger, Acting Assistant Director
Readiness, Response, and Recovery Directorate

Matt Jadacki, Acting Chief Financial Officer
Financial and Acquisition Management Division

DATE: 01-JUL-02

SUBJECT: Guidance on Statutory Administrative Allowance
Hazard Mitigation Grant Program (CFDA No. 83.548)
Public Assistance Grant Program (CFDA No. 83.544)

The purpose of this memo is to clarify the Federal Emergency Management Agency's (FEMA) policy on the use of the grantee and subgrantee statutory administrative allowance for the Hazard Mitigation Grant Program (HMGP) and the Public Assistance grant program (PA).

The statutory administrative allowance is provided to the State to cover the extraordinary costs incurred by the State for preparation of applications, quarterly reports, final audits, and related field inspections by State employees, including overtime pay and per diem and travel expenses, but not including regular time for such employees (HMGP: 44 CFR 206.439(b)(1), PA: 44 CFR 206.228(a)(2)).

The statutory administrative allowance is also provided to subgrantees to cover the cost of requesting, receiving, and administering federal disaster assistance (HMGP: 44 CFR 206.439(b)(1)(ii), PA: 44 CFR 206.228(a)(2)(ii)).

Grantees and subgrantees must retain records of how the administrative allowance is spent. Since FEMA regulations specify what the administrative costs can be used for, keeping records is essential in validating compliance with those regulations. Grantee and subgrantee records need not be submitted to FEMA, however they must be retained for

three years beyond the date of closeout (44 CFR 13.42 (b) and (c)). As with all funds expended under the HMGP and PA programs, records documenting expenditures under the administrative allowance are subject to audit.

At closeout, grantees and subgrantees need only provide the final financial status reports indicating that all funds were expended and if not, how much is to be deobligated. Detailed records documenting expenditures under the administrative allowance do not have to be submitted at closeout but have to be retained as noted above. If there are surplus administrative allowance funds, they must be returned to FEMA. Retaining unspent funds and using them for another purpose is not permitted by Federal regulation and is a violation of Federal appropriations law (31 USC as 1301 (a)).

If you have any questions about this policy, please have your staff call Carrie Herndon at (202) 646-4390 for HMGP or Tomas Quinones at (202) 646-3407 for PA.